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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

DEC 12 2008

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COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

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DOCKET CONTROL

DOCKET NO. SW-02519A-06-0015

IN THE MATTER OF THE APPLICATION OF
GOLD CANYON SEWER COMPANY FOR A
DETERMINATION OF FAIR VALUE OF ITS
UTILITY PLANT AND PROPERTY AND FOR
INCREASES IN ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

PROCEDURAL ORDER

BY THE COMMISSION:

On January 13, 2006, Gold Canyon Sewer Company ("Gold Canyon" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for a determination of the current fair value of its utility plant and property and for increases in its rates and charges for wastewater utility service provided to customers in the Company's certificated service area in Pinal County, Arizona.

On June 28, 2007, the Commission issued Decision No. 69664, granting a rate increase to Gold Canyon.

On July 18, 2007, the Residential Utility Consumer Office ("RUCO") filed an Application for Rehearing on two issues raised by RUCO during the hearing: an allegation of "excess capacity" in the Company's treatment plant and the capital structure employed in the Commission's Order.

During a Staff Meeting held on August 1, 2007, the Commission granted rehearing.

Hearings were conducted regarding RUCO's Application for Rehearing on November 14, 2007, February 25, 2008, and March 31, 2008.

On November 19, 2008, the Commission issued Decision No. 70624, ordering the Company to reduce its rate base by \$1.0 million and revise the weighted cost of capital approved in Decision No. 69664 to 8.54 percent. Gold Canyon was also directed to submit for Commission approval, by November 30, 2008, revised rates and charges reflecting those changes.

1 On November 28, 2008, Gold Canyon filed for the Commission's approval revised rates that
2 would produce total annual revenues of \$4,019,488. The Company contends that its filed rates
3 represent the directive of the Commission in Decision No. 70624.

4 On December 3, 2008, RUCO filed a Motion to Disapprove Gold Canyon's Proposed Revised
5 Rates and Charges. RUCO claims that Gold Canyon failed to account for interest synchronization
6 related to adoption of a hypothetical capital structure, and a related hypothetical debt component that
7 would result in an interest expense that lowers the Company's income tax expenses.

8 On December 8, 2008, Gold Canyon filed a Response to RUCO's Motion to Disapprove the
9 Proposed Rates. Gold Canyon contends that RUCO's reliance on the Commission's deliberations
10 during the Open Meeting is misplaced because, according to the Company, Decision No. 70624 did
11 not order it to interest synchronize or even to adopt a hypothetical capital structure. Rather, Gold
12 Canyon claims, it was directed only to reduce rate base by \$1.0 million and adopt a rate of return of
13 8.54 percent.

14 On December 10, 2008, the Commission's Utilities Division ("Staff") filed a Response to the
15 Company's filing of proposed rates. Staff states that it believes Gold Canyon complied with the
16 directives set forth in the ordering paragraphs in Decision No. 70624, and that the Company's
17 proposed revenues are consistent with that Decision.

18 On December 11, 2008, RUCO filed a Reply to Gold Canyon's December 8, 2008 Response.
19 RUCO claims that Gold Canyon's filing ignores the clear intent of the Commission in adopting
20 Decision No. 70624, which intent was reflected in the comments made by several Commissioners
21 during the Open Meeting. According to RUCO, the total annual revenues for Gold Canyon as a
22 result of Decision No. 70624 should be \$3,706,598, a difference of \$312,890 compared to the
23 proposed rates submitted by the Company.

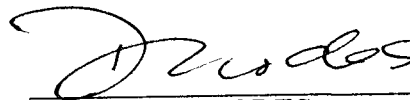
24 IT IS THEREFORE ORDERED that a **procedural conference shall be scheduled for**
25 **December 22, 2008, at 10:00 a.m.**, at the offices of the Commission, 1200 West Washington,
26 Phoenix, Arizona 85007. The purpose of the procedural conference is to hear arguments on the
27 proposed rate dispute and to discuss the best and most expeditious way to resolve the dispute in order
28 to give effect to Decision No. 70624 and the intent of the Commission when it voted to adopt that

Decision. The parties should be prepared to discuss all possible remedies for resolving the dispute on an expedited basis including, but not limited to, amendment of the Decision at a future Open Meeting without the need for additional hearings.

IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized Communications) continues to apply to this proceeding.

IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

Dated this 12th day of December, 2008



DWIGHT D. NODES
ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed/delivered this 12th day of December, 2008 to:

Jay L. Shapiro
Todd Wiley
Patrick J. Black
FENNEMORE CRAIG, P.C.
3003 North Central Avenue, Suite 2600
Phoenix, AZ 85012-2913

Daniel Pozefsky, Chief Counsel
RESIDENTIAL UTILITY
CONSUMER OFFICE
1110 West Washington Street, Suite 220
Phoenix, AZ 85007-2958

Andy Kurtz
MOUNTAINBROOK VILLAGE AT GOLD
CANYON RANCH ASSOCIATION
5674 South Marble Drive
Gold Canyon, AZ 85218-5368

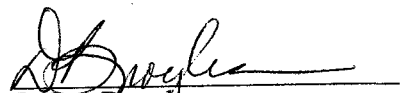
Mark Tucker, P.C.
2650 East Southern Avenue
Mesa, AZ 85219-5413
Attorney for Cal-Am Properties, Inc.

Janice Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

Ernest G. Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, AZ 85007

ARIZONA REPORTING SERVICE, INC.
2200 North Central Avenue, Suite 502
Phoenix, AZ 85004-1481

By:


Debra Broyles
Secretary to Dwight D. Nodes